

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-664

October 20, 1998

MAINE PUBLIC SERVICE COMPANY
Request for Approval of
Affiliated Interest Transaction
With Energy Atlantic for
Accounting and Human Resource
Services

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we approve a contract for Maine Public Service Company (MPS) to provide accounting and human resource services to Energy Atlantic (EA), a wholly-owned electricity marketing affiliate of MPS. This contract includes the cost allocation methodology for assigning computer- and building-related costs associated with the accounting, human resources and management services provided to EA.

II. DISCUSSION

On August 27, 1998 MPS filed a request for approval of a contract that allows it to provide accounting and human resource services to EA, a wholly-owned electricity marketing affiliate of MPS. The Company made this filing in response to the Commission's Order in Docket No. 98-138 that: 1) authorized MPS to provide accounting and human resource services to EA but required MPS to submit the contract with the specific terms of the transaction for approval under 35-A M.R.S.A. §707; and 2) in allowing MPS to provide management services to EA, required MPS to submit the allocation factors to be used for assigning computer- and building-related costs associated with providing management services to EA¹.

We have reviewed the Human Resources and Accounting Services Agreement and find it to be reasonable. This is based on our understanding that the specific cost allocation factors in the Human Resources and Accounting Agreement were included to demonstrate the methodology and to provide a starting point for the cost allocations but are not necessarily the absolute values for future cost allocations. For example, we assume that if the accounting services performed for EA actually took up 20% of MPS's total accounting effort rather than 10% as assumed in the Company's filing, EA would pay 20% of the accounting costs rather

¹ Order, Docket No. 98-138 (Sept. 2, 1998).

than 10%. Our approval of the contract and the cost allocations is conditioned on this understanding and our ability to review actual compensation based on the facts which will develop.

Our approval is also conditioned on MPS correcting two minor errors in the contract. Attachment A-1 of the contract states,

In addition, the monthly bill will include a fee developed to charge EA for its share of computer- and building-related expenses incurred by MPS while providing services under the Management Service Contract. Initially, the fee will be \$1,598 per month, as shown on A-1, attached.

The \$1,598 fee appears to include computer- and building-related expenses associated with providing human resource and accounting services, in addition to management services. Therefore, attachment A-1 should reference the Human Resources and Accounting Services Agreement in addition to the Management Services Contract. Finally, because the \$1,598 value was derived on Attachment A-2, not A-1, we assume the last sentence should have referenced A-2 as the attached document, not A-1.

Based on these assumptions and corrections, we approve the agreement.

Accordingly, we

O R D E R

1. That the Human Resources and Accounting Services Agreement filed by Maine Public Service on August 27, 1998 is hereby approved with the corrections noted in the body of this Order.

Dated at Augusta, Maine this 20th day of October, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of adjudicatory proceedings are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which consideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.